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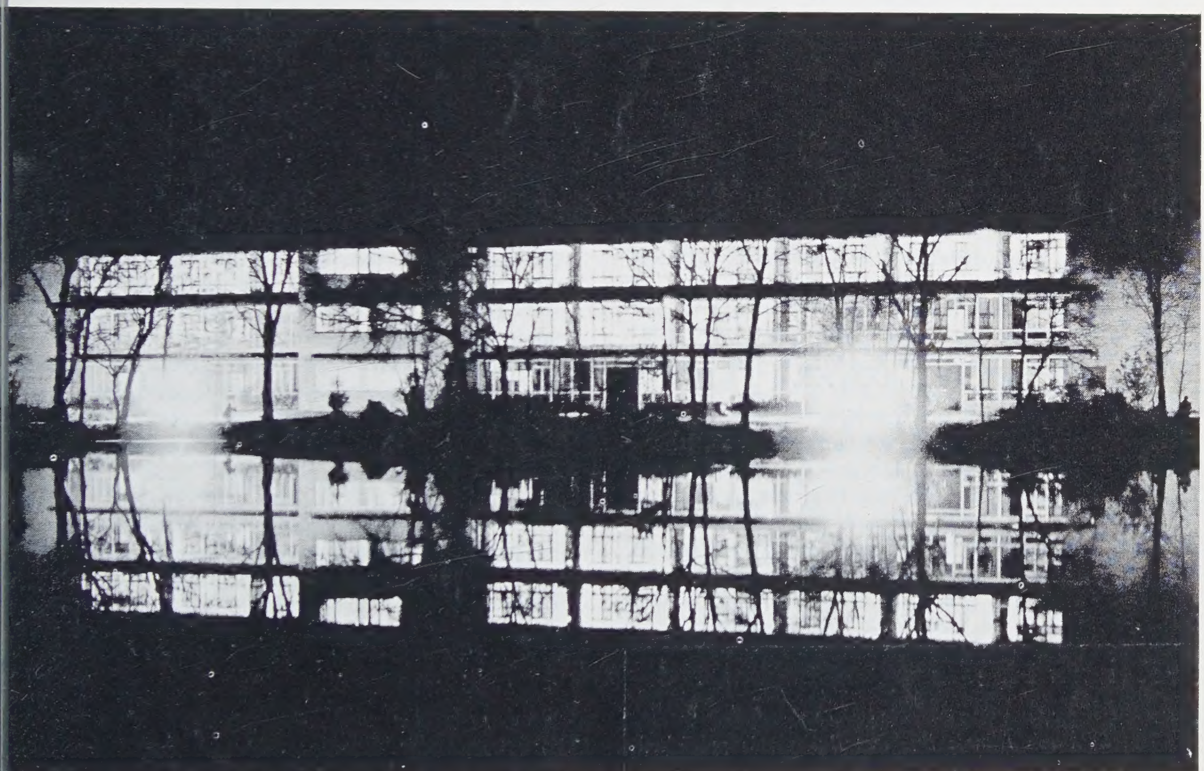

SIU'S THOMPSON POINT DORMITORY VIEWED ACROSS CAMPUS LAKE

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THE BUSINESS OUTLOOK: PREDICTIONS FOR 1960

by John A. Cochran

How high should Gross National Product, the market value of all final goods and services (GNP), go in 1960? The figure for total GNP produced in the United States in 1959 should be nearly $480 billion. Despite a crippling steel strike of some four months duration in the third and fourth quarters of last year, GNP in 1959 was some 8 per cent higher than that of 1958, which was a recession and recovery year. Part of this increase in the value of GNP, of course, was due to some further gradual inflation. But if we subtract an approximate rise of prices of some 1 per cent, we still have a rise of approximately 7 per cent in real national product. Which, of course, would have to be further adjusted for the rise in population last year if we wished to make comparisons on a per capita or average standard of living basis.

This year, if we project an average level of GNP around $510 billion, we should have a further increase in total money value of GNP of some 6 per cent. Again adjusting for some increase in the general level of prices (say 1 per cent), we would have an increase in real GNP of some 5 per cent, which would be a rate of increase less than that of 1959, but one which would still bring our economy to record levels of output of goods and services. The expected rate of increase of 6 per cent for 1960 is only slightly ahead of the actual rate of increase of 5½ per cent for the year 1957, but is substantially ahead of the increase of 4½ per cent in 1956. These earlier years also were periods of substantial recovery from a period of recession. Another difference, in favor of 1960, is that the probable rate of increase in the level of prices this year should be less than that actually recorded in the earlier years of 1956 and 1957.

We have already reached the magic level of $500 billion GNP. By the end of this year our annual rate of GNP may be nearly $40 billion above the annual rate of such national output at the end of last year. Why such an optimistic outlook for production and employment?

Rebuilding of Depleted Inventories

The optimism for the general business outlook in 1960, which appears to be shared by nearly all gazers into crystal balls, rests upon several dynamic forces which should be in operation this year. First of all there was the necessity to rebuild depleted steel inventories. Steel inventories in early 1960 were probably around 9 million tons, as compared to 26 million tons when the strike started in mid-1959. Such steel inventories may be increased some 12 million tons this year according to steel industry sources. A consensus of steel industry sentiment looks for total steel production to approach, or even exceed, the record-breaking pace of 117 million tons set in 1955. Although total steel production may reach new highs this year, some slackening in the pace of production has already been noted in the first and second quarters of this year. A conservative steel inventory policy by the users of steel, such as the auto industry, may continue to hold steel production below 80 per cent of capacity in the third quarter with some rebound in the fourth quarter.

Stocks of all goods held by manufacturers, wholesalers, and retailers rose some $2.8 billion in the first quarter of 1960. This inventory accumulation is the largest since the Korean War and almost certainly will slow down in subsequent quarters of 1960 either through a rise in final sales or a cut-back in factory production.

Business Capital Spending in 1960

Additional upward push of the economy will also come from the business sector in its spending on new plant and equipment. The McGraw-Hill Survey of business intentions to spend on plant and equipment (released April 29, 1960) reveals expected spending of some $37.9 billion for 1960, which is 16 per cent more than such estimated spending for 1959. Even this figure may be too low since past experience suggests that preliminary capital

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ON THE COVER

The cover picture for this issue of the *Southern Illinois Business Bulletin* is a dramatic photo of one of SIU's Thompson Point Dormitories taken across Campus Lake. In addition to the dormitories, the new Campus Lake area contains a number of small dormitory housing units. The photo was made by Val Biggers, an SIU student from Vandalia.

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pending plans are often revised upwards in a oom period. Furthermore, continued strength from is sector is expected for 1961 with business plans spend on real capital then totaling at least $34.7 illion.

Consumer Spending in 1960

The consumer is expected to do his part too, es- ecially in the area of "big ticket" or hard goods uying. The spring upturn in auto sales developed April with Chrysler reporting a 32 per cent rise om the year earlier American Motors, Ford, and e Cadillac Division of General Motors also report- d sharp gains. The auto industry has been looking r a big year and forecasts of 7 million cars pro- uced in this country were not lacking from Detroit rly in the year (as compared, however, with early 8 million in 1955). The somewhat more con- rvative Commerce Department of the Federal overnment is still forecasting U.S. production of 7 million cars in 1960, which would be an in- rease of nearly 22 per cent over the nearly 5.5 mil- on U.S. cars produced in 1959. (The sales of cars 1959 were some 28 per cent higher than 1958.

Department stores sales in 1959 on a national ba- s were some 7 per cent higher than 1958. (In the . Louis Federal Reserve District, in which we are cated, the increase was 6 per cent while for Chi- go it was 8 per cent.) Although the first quarter 1960 showed no increase over the first quarter 1959, the second quarter produced the expected ring upturn. One textile economist has predicted at unit sales of apparel for all of 1960 will rise per cent over 1959. Appliance items may show n even greater rate of increase. Manufacturing mpanies expect an 8 per cent rise in sales this ear. In each year of the postwar period, total con- umer spending has continued to increase and 1960 ill be no exception.

Government Spending in 1960

When we turn to government spending, we find somewhat different picture from that of the other mponents of aggregate spending. State and local overnment spending, it is true, can be expected rise this year as they have in each year of the ostwar period. But Federal Government spending, n the other hand, will *not* be contributing to fur- er expansion of the level of national output. Fed- al Government spending in fiscal year 1961 be- nning next July 1 is expected to hold close to the esent levels of spending of $80 billion a year. he small budget surplus of this fiscal year (1960) expected to be followed by a fairly substantial rplus next fiscal year. President Eisenhower has timated the budget surplus for fiscal year 1961 $4.2 billion. Such a surplus would occur not be- use of a cut in government spending but rather ecause of expected sharp rises in Treasury re- ipts from taxes as national income continues to crease. From the national income point of view, is budget surplus is regarded as being deflationary anti-inflationary. However, a surplus is also government "saving" and hence may contribute to the financing of deficits in other sections of the economy. In short, it tends to slow down the expansion of national income rather than promoting it. Of course, in a period of high employment and production, with the danger of bottlenecks and inflationary pressures such as we may have to some extent this year, this may be a very good thing. This anti-inflationary effect of the federal budget in fiscal year 1961 (assuming no tax cuts by Congress or increases in federal spending other than those already requested or scheduled) has been given as one reason for the fall in prices on the stock market this year. (Another has been the effect of "tight money.") Seasonally, the federal budget almost always shows a surplus in the first six months of the calendar year (the last six months of the fiscal year). Although normally the second six months of the calendar year tend to show a deficit (even assuming an exactly balanced budget), the second half of this year should show a much lower than normal deficit as a result of the expected over-all budget surplus of $4.2 billion. And, of course, the first six months of 1961 should show a larger than normal seasonal surplus.

Federal Reserve Policy

Since we have mentioned the impact of federal spending on the level of economic activity this year, it may not be amiss to mention also the probable impact of the prevailing policy of monetary and credit restraint by the Federal Reserve. Just as in the upswing years of 1956 and 1957, the Federal Reserve is following a mildly restraining policy—what was once called leaning into the wind, or breeze (depending on the commentator's view of the strength of inflationary forces). There are several differences between monetary policy now and then, however. For one thing, the Federal Reserve was not quite so eager to flood the banking system with excess reserves in 1958, as it was in an earlier recession in 1954. Considering this fact, the continued reduction of holdings of Government securities by the commercial banking system in every period of credit restraint since the end of World War II, the high level of loans outstanding at the beginning of this boom period, reveal a situation where monetary restraint can take hold at an earlier phase of the upswing. Many banks are nearly loaned up with loan-deposit ratios of 60 per cent in some instances of particular city banks. Also, the Federal Reserve began its policy of restraint somewhat earlier this time; with uncertainties regarding the business outlook this year, it may alternately tighten and ease, as it did in 1956. Assuming, however, the likelihood of various parts of the economy feeling the pinch of tighter money, where should we expect the effects to be felt this year?

For one thing, as was true in 1956 and 1957, the mortgage market is sure to be operating under greater wraps this year. Residential construction this year will almost certainly be less than last year

as interest rates go to new highs, down payments on houses are increased, and the availability of mortgage funds generally becomes that of increasing scarcity. State and local governments also, as they did in the previous boom period, will find increasing difficulties in borrowing money in the capital markets, especially when legal interest rate ceilings are unrealistic. Even some corporations may find it necessary to postpone some borrowing plans, and perhaps thereby do some curtailing of planned investment spending as a result.

Conclusion

The over-all economic outlook this year looks very good. Business is generally expanding now and will reach new highs before the end of this year. Not every industry, it is true, nor every business firm will share in this prosperity equally. Some firms will go bankrupt this year, as every year, and some industries will continue to decline secularly, as they have in the past. But, most sectors of the economy, with the possible exception of agriculture, and industries directly dependent upon agriculture, should have some share in this high level of prosperity. At the same time we must recognize the mixed trends and uncertainties likely to plague us all of this year.

The big question, of course, is what about the next downturn in business activity? Will we have another recession, and if so, when? My opinion is that we will surely have another downturn and that the real questions are simply when, and how severe will the next recession be when it comes? My personal guess is that 1961 will see a real test of the present boom period, which might result in another recession of the type which has become familiar in the post-World-War-II period.

The decade of the 1960's as a whole is generally expected to be so prosperous that the term "the golden sixties" may be appropriate. This, however, does not mean that we cannot and will not have recessions during this period of time. Maladjustments and imbalances of various kinds tend to develop and become more serious the longer a boom period lasts, so that every so often the economy seems to need a "breather." Consumer demand can, and does, change in an economy such as ours. Technological change occurs at different rates in different industries. Businessmen often have difficulty in anticipating with exactness future consumer demand for their goods, and therefore they often accumulate too little or too much inventory. Costs, prices, and profits may get out of alignment in a given industry, or several industries at the same time. And the Federal Government can change its pattern of expenditures, as well as the total amount of such expenditures. When imbalances develop, it will often become evident to a number of businesses in different industries that corrections must be made; e.g., that inventories are too high in relation to sales. And then a recession can begin. But over-all, the picture for the immediate future still looks more bright than dark.

THE "NOT SO SOARING" SIXTIES: A CRITICAL ECONOMIC ANALYSIS

By G. Carl Wiegand

At the beginning of the year, stock market prices (measured in terms of the Dow Jones index for industrials) reached the all-time high of 690. Two months later they had dropped below 600, and even though they recovered some of their losses, stock market prices reflect a good deal of uncertainty—and the market is to some extent a reflection of the economy in general.

At the beginning of the year, with the costly steel strike just ended, there was much talk about the "soaring sixties" and the boom—either inflationary or otherwise—which 1960 was certain to bring. Business had to "catch up" after the steel strike; inventories had to be rebuilt; delayed consumer demand had to be satisfied. All this seemed to promise peak economic activity for much of 1960.

Today, four to five months later, we are wiser and less confident. Business is good, but the excitement of a boom is lacking. Car loadings, and steel and paperboard production, three important economic barometers, are below what had been expected. Automobile sales are running 400,000 units behind earlier forecasts. Unemployment rose to 4.2 million in mid-March, although this was admittedly largely due to the adverse weather conditions. Possibly most important, the alleged shortages which were to assure boom level production for much of the year have already vanished. As the March report of the National Association of Purchasing Agents stated laconically: "In short supply; Nothing."

Business statistics, while not as good as expected, do not, at this time, justify the fear of a major decline. "We are not about to enter into any sharp recession," the Chairman of the Morgan Guaranty Trust Company reassured his listeners recently. But he added, "On the other hand, we're not about to launch a boom on top of the expansion we've had since the summer of 1958."

Retail sales are at record levels and the Gross National Product, although lower than predicted, reached a new all-time high during the first quarter. Business is still expected to spend this year $37 billion for new plants and equipment, 14 per cent more than in 1958, despite the fact that, as one of the leading Chicago banks put it recently, "current and immediately prospective output rates are comfortably below potential capacity in such basic industries as steel, aluminum, copper, textiles, petroleum, paper and some chemicals, as well as in many finished product lines." Capital investments

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ce the war have been extremely heavy, and there some doubt at the moment whether the produc-e capacity has not been built up too high, so it during the immediate future there will be less ed for new investments. The steel industry, for tance, has averaged for some time about $1 lion a year in new investments, with the result it its capacity has increased by almost 50 per it since 1950. A continued high rate of capital estments is thus based less on present needs (the el industry, for instance, is operating at about -80 per cent of capacity) than on future expecta-ns.

Mass psychology—the optimism or pessimism of consumer and businessman—rather than pro-ction and sales statistics is thus of particular portance at the present moment. Since the end of war, the American economy has become more d more dependent upon a steady expansion of edit, that means upon the willingness of the con-mer to borrow in order to purchase more consum-goods, and of the manufacturer in order to ex-nd his production facilities. The demand for nsumer and investment credit is notoriously vol-le, and dependent upon the "mood" of the econ-ny. Irrational fears and hopes are often as im-rtant as the rational analysis of business data.

Under these circumstances, the coming election mpaign may have an adverse effect on business. one of the presidential aspirants speaks of "the t that 17 million Americans go to bed hungry ery night. Fifteen million families live in sub-ndard housing. Seven million families are strug-ng to survive on an income of less than $2,000 year"; if the Joint Economic Committee of Con-ess and the AFL-CIO present statistics purporting show a serious slowing down of the rate of owth of the American economy during the past e years; if we look at the huge deficit in our lance of payments, the present economic situation ems to contain just enough factors of uncertainty turn the expectations of an impending boom ich prevailed at the beginning of the year, into present mood of hesitation, and if the trend ntinues neither the consumer nor business will anxious to increase their commitments.

We know from past experience that a political mpaign in which the "outs" are trying to prove it the "ins" have mismanaged the economic af-rs of the nation can aggravate existing unfavor-le conditions. The great banking crisis of Feb-ary and March 1933, for instance, was in part least the result of fears generated during the 32 election campaign.

Obviously, nobody is going to compare the shaki-ss of public confidence at the bottom of the de-ession in 1932 with the present mood of hesita-n at the peak of a 15-year-old prosperity. But the re fact that the prosperity has lasted so long, it it is built to a large extent on a tremendous pansion of credit, and that the economy shows inite weaknesses—or at least uncertainties—at moment, should be warning enough to political aspirants not to let political expediency mislead them into weakening public confidence. More important, business and government, and above all the American public in general, should be aware of the weaknesses in the foundation upon which the prosperity of the past 15 years has been erected.

Has the U.S. lived above her means?

While some nations, especially the Soviet block, Germany and Japan pursued after the war a policy of economic austerity, of holding down consumption in order to rebuild and develop their economic potential, the United States, Britain and most of the western nations financed the almost unbroken boom of the postwar decade and a half by drawing on reserves accumulated during the past and by mortgaging the future. The rapid increase in the United States Gross National Product (GNP) from $211 billion in 1946 to almost $500 billion, was partly due to the declining purchasing power of the dollar; the index of consumer prices rose from 83.4 to over 125 in 15 years. It was financed, moreover, through a rapid increase in public, business and private indebtedness, and through a marked deterioration of the international liquidity of the United States. While the value of goods and services measured in stable dollars increased on the average by barely 4 per cent annually since the end of the war, total indebtedness increased 50 per cent faster, or by about 6 per cent. Disposable personal income—the net income which individuals have left after payment of taxes—increased from $158.9 billion in 1946 to $334.6 billion, in 1959, or by about 110 per cent. Consumer credit, meanwhile, increased from $10 to $52 billion or by 420 per cent; and the mortgage debt on 1- to 4-family nonfarm properties from $23 to $131 billion, or by about 470 per cent. In other words, consumer spending increased far more rapidly than consumer income, and, which is not surprising, prices rose particularly rapidly in those areas where the expansion of credit was greatest. Housing and automobiles are two striking examples. The index of building cost of the *Engineering News-Record* stood at 164 at the end of 1959, compared with 71 at the end of 1945, an increase of more than 130 per cent while the cost of living in general rose by only 63 per cent. According to a Federal analyst, the American people are now paying on an average $18,365 for a house, compared with $10,842 in 1950.

In his controversial book *The Affluent Society*, Professor Galbraith argues that the steady increase in the output of goods and services which is necessary to assure a high rate of employment—in turn a political necessity—is possible only through a progressive increase in total indebtedness. Borrowing, however, has its limits for individuals, corporations and local governments, and to some extent even for the federal government, which has had great difficulties in recent months to borrow on a long-term basis at $4\frac{1}{4}$ per cent, the maximum the Treasury is allowed to pay. The debt limits are not rigid, of course. Instead of 20- to 30-year mortgages and 36-

months installment loans on cars, we could extend the average life of a mortgage to 40 to 60 years—government guaranteed mortgages in Norway run for 100 years—and car loans for 48 to 60 months, assuming of course, that in our economy of "planned obsolescence" a house has a useful life of 40 to 60 years and a car of 4 to 5 years. But even if we lengthen the credit, eventually the point must be reached when the individual or the local government cannot increase their indebtedness further because the income out of which the installments have to be paid does not permit a further expansion of the debt. In short, borrowing is not a permanent solution.

The question of how long the United States can continue to increase her indebtedness to finance the boom is thus of vital importance. Thus far neither the consumer (who increased his indebtedness last year alone by $6½ billion) nor the homeowner (who increased his mortgage debt by $13.6 billion), nor the state and local governments, seem to feel that they are reaching their debt limits, but—and this must be emphasized—debt limits are to a large extent a psychological, rather than an economic concept: a consumer will borrow as long as he believes in the continuation of the boom, and he wil try to pay back some of his debts if he fears a recession—and the election campaign could generate just enough pessimism to turn the tide.

The Decrease in Farm Prosperity

American agriculture has not shared in the general prosperity during the past 2 or 3 years. Fifteen years of politically expedient, but economically unsound farm policies have resulted not only in the accumulation of some $9 billion worth of surpluses in government hands, but in a steady decline of the farm income from $13.2 billion in 1958 to $11.2 billion in 1959, with a further decline to about $10.5 to $11.0 billion to be expected this year. But while farm income continues to decline, land prices continue to climb. Since 1940 they have risen 240 per cent, including 8 per cent in 1959 alone. With farm prices rising and farm income declining, the average yield on farm property has dropped to a new postwar low of 3 per cent. It is thus not surprising that more and more farmers leave the farm and seek employment in industry, which is already struggling to provide enough jobs for those made jobless through automation.

Increased Public Spending

While the number of farmers declined from 10 million in 1945 to 7.4 million in 1959, the number of civilian government employees increased from 6 million to 8.1 million. In 1947, the Federal Government had 2.1 million employees for which the average American family had to pay about $162 a year in taxes. Today the Federal Government employs more than 2.7 million and the cost per taxpayer family has risen to about $270. No doubt, the government has assumed many new functions since the end of the war—welfare expenditures and subsidies at the federal, state and local level now consume about $23 billion annually—but state and local governments are confronted with definite tax and debt limits, and in the case of the federal government a further large increase in taxes and debt militates against the traditional character and nature of our society and economy. Surprisingly few people seem aware of the fact that personal income taxes have been increasing steadily year after year, even though the rates have remained seemingly unchanged. A man who in 1947–49 had a taxable income of $10,000 would have paid $2,640 in personal income taxes on basis of present tax rates. If he received $12,500 in 1959, which represented no increase in his real income since the cost of living rose in the meantime from 100 to 125, his tax would have amounted to $3,615, an increase of more than 8 per cent (measured in fixed dollars).

A great deal has been made recently of the fact that the income of the average American family in 1959 amounted to $6,250, an apparent increase of 47 per cent since 1950. Actually, much of the increase was due to inflation, and if we use per capita disposable income measured in fixed dollars (that means the money actually available to the individual American after payment of all taxes) we arrive at an increase of less than 14 per cent compared with an increase of about 40 per cent during the 1940s. Inflation and increased taxation thus skimmed off much of the cream of the booming 1950s.

While campaigning in 1952, President Eisenhower promised to balance the budget at about $60 billion. The 1960–61 budget provides for taxes of $84 billion. Last year, the budget closed with a peacetime record deficit of $12.5 billion, and it is doubtful whether the current fiscal year will produce the anticipated small surplus, yet the liberals of both parties complain that the government does not spend enough to provide social welfare, and maximum employment and growth.

Economic Growth

The notion of economic growth as it is now used in popular economic discussions—especially if American and Russian growth rates are compared—is dangerously misleading. What constitutes economic growth? Military men are apt to think in terms of military potential; some economists prefer to consider growth in terms of the productive capacity of the economy; the general public tends to equate growth with a higher standard of living measured in terms of more goods and services. "Growth" may thus mean more submarines and jets, more factories and machines, or more cars and television sets, depending upon the point of view. These basic conflicting points of view are hidden by the prevailing practice of measuring economic growth in terms of the Gross National Product. Yet actually, the GNP is a statistical abstraction, which measures neither military strength, nor productive capacity, nor the volume of consumer goods and services, which many like to equate with the

standard of living." The GNP is not a measure of ther national strength or well-being. Yet conser-atives and liberals engage in bitter and largely itile arguments whether the GNP should grow by per cent or 6 per cent annually.

A few examples will illustrate the meaninglessness f the arguments.

A wealthy bachelor pays his housekeeper $2,000 year, and this $2,000 forms part of the GNP. ventually the bachelor marries his housekeeper, ho, as his wife, continues to perform the same ousekeeping duties as before. Yet as a wife her ork no longer counts as far as the GNP is con-erned. That means America has seemingly retro-ressed in economic terms as a result of the mar-age.

More important, let us assume farmers raise $5 illion worth of farm surpluses which are purchased nd stored by the government to maintain prices. ven though they stay unused in government ware-ouses and may eventually be given away in the rm of foreign aid, the $5 billion worth of unused oods are regarded as much a part of the GNP as 5 billion worth of shoes and suits which are worn, ouses in which people live, and hamburgers which ey eat.

Or let us assume that 1,000 government em-loyees, who draw a salary of $7 million, spend all eir time designing questionnaires, filling them out arefully and filing the answers in huge storage abinets. The 1,000 government officials would add 7 million to the GNP, even though the "product" hich they produce consists merely of dead files. bviously, neither the economic nor military rength, nor the general well-being of the people as increased by the production of $5 billion worth f surplus farm products and the filling out of $7 illion worth of forms; yet, since both items form art of the GNP, the economy seems to have grown."

Theoretically, it would be possible for the GNP decline without a decline in the actual standard f living of the people, if the decrease in the GNP as due to the elimination of featherbedding, the rowing of surplus crops, planned obsolescence, and ureaucratic paper-shuffling. There can be little oubt that a good deal of the tremendous growth in e GNP during the postwar years was due to the xpansion of such "nonproductive" activities and at there is danger that the general public mis-kes a growth in the GNP, due to a further in-rease in featherbedding, planned obsolescence and aper shuffling, for a sign of economic health and ational strength.

alance of Payment Deficit

Some months ago, the government seemed quite oncerned about the growing deficit in the balance f payments. There is much less talk about the prob-m now, although the situation has not materially nproved. Since 1950, the United States has uffered an almost continuous deficit. In 1958 it mounted to $3.4 billion and in 1959—officially—to $3.7 billion.[1] The deficit can be "paid" in two ways: by shipping gold—the U.S. gold reserves declined since the end of 1949 from $24.4 billion to $19.4 billion, or by about 20 per cent—and by increasing the international short-term indebtedness of the United States. These foreign short-term balances, which can be withdrawn by their foreign owners just as an individual can draw on his checking account, have increased from $7.6 billion in 1949 to $19.3 billion in January 1960. Since 1957 alone, they have increased by more than $4.2 billion.

On balance, the United States is a creditor nation. American long-term investments abroad amount to about $60 billion compared with foreign long-term investments in this country of about $25 billion. But the large foreign investments of the United States consist of mines, factories, oil fields, stores, and plantations, as well as long-term loans, which cannot easily be liquidated, while, on the other hand, the $19.3 billion which the United States owes to the world, are payable on demand.

The balance of payments is a complicated and to some extent confusing document. At the risk of over-simplifying the involved calculations, one can say that the United States needs every year about $7–8 billion to pay for our military establishments abroad, for military and economic aid, and for private investments abroad which are largely necessary in order to assure American industry of the necessary raw materials or export outlets. On the other side of the ledger are the net payments which foreign nations make to us in the form of interest and dividends on our foreign investments and loans, and for services, such as the use of American patents. These payments total about $2½–3 billion a year, which leaves a deficit of roughly $5 billion which has to be covered by an excess of exports over imports. In recent years, however, as the

United States Balance of Trade
(in billions of dollars)

	Average				1959*	
	1954–56	1957	1958	1959	Jan-June	July-Dec
Exports	14.8	19.5	16.3	16.3	7.8	8.5
Imports	11.4	13.0	12.8	15.2	7.4	7.8
Export Surplus	3.4	6.5	3.5	1.1	.4	.7

* Seasonally adjusted.

[1] The situation was actually worse than the $3.7 billion deficit would seem to indicate. West Germany and the United Kingdom made substantial advance debt repayments which reduced the net outflow of U.S. government capital by more than 50 per cent. Besides, the $3.7 billion deficit does not include the payments of the United States to the International Monetary Fund to cover this country's increased quota. These payments, amounting to $344 million in gold and $1,031 million in noninterest-bearing notes, if included, would have raised the deficit to above $5 billion.

table on page 7 shows, our export surplus fell well below the $5 billion mark, with the exception of 1957, when our balance of payments showed a surplus.

In a recent article on America's balance of payments which appeared in *Foreign Affairs*, the Secretary of the Treasury, Mr. Anderson, used the term "emergency" and called the task of achieving a balance "formidable." The "emergency" could be ended almost immediately, of course, if the United States were to curtail the expenditures for military installations abroad, foreign aid and private foreign investments, but this would be strategically, politically and economically inexpedient. The only sound and feasible way of balancing our international accounts is to increase our export surplus, either by reducing imports or by increasing exports. The sharp increase in imports in 1959 was in part, at least, the result of the steel strike—steel imports totaled 4.4 million tons—and with the end of the steel strike, imports have been reduced sharply. But the over-all picture has changed little. Despite the rapid mechanization in the United States in recent years, the productivity of foreign workers seems to be increasing more rapidly than that of American workers. Thus the increase in productivity per worker between 1953 and 1958 is estimated at 21 per cent for the United States and at 30 per cent for the common market countries of western Europe. While the productivity of the American worker is still well above that of his foreign competitor, and cost and price comparisons between American and foreign industries do not seem to justify the often-expressed fear that the United States has priced herself out of world markets, materially lower wages abroad combined with increasing productivity are making it more difficult for some American industries to compete. Nor does the American manufacturer have the same incentive to promote exports as the European or Japanese, whose limited domestic markets force him to develop foreign outlets. Under the Employment Act of 1946, the government is required to pursue a policy which will assure maximum employment. If demand declines, because prices have risen too fast, the American manufacturer thus does not have to work harder to boost exports, in order to sell his goods. He can instead look to Washington to boost domestic demand. There is no way of calculating how many foreign sales the United States loses because of high production cost, inadequate credit facilities, or lack of enthusiasm on the part of the American manufacturer to promote the export business, but all three factors contribute to the declining export surplus and thus the deficit in the balance of payments in recent years Washington has taken various steps to promote exports, but unless the cost of production can be controlled, which involves wages, profits, and taxes, mere promotional efforts will not close the gap in the American balance of payments. No doubt, 1960 wil close with another substantial deficit, According to present estimates it will probably run between $2 and $2.5 billion.

The "soaring sixties" are thus starting with many problems which have developed during the inflationary boom of the postwar years: heavy reliance on increasing indebtedness; declining farm prosperity; a tremendous growth in government overhead, not all of which can possibly be regarded as productive; a tendency to mistake the statistical abstraction of the GNP as a measure of national strength and economic well-being; and finally the wide gap in the balance of payments. All these are problems which must be solved, if the economy of the sixties is to be based on a sound foundation. They can be solved, but as the present mood of hesitancy indicates, business and the people are increasingly wondering—and perhaps worrying—when and how they will be solved.

GE EXECUTIVE ADVISES LOCAL AREA COMMUNITIES

by E. C. Kepler

This meeting, to my mind, exemplifies one of the best American customs—good citizens, out of honest concern for their homes and communities, coming together, unofficially, voluntarily, to share one another's knowledge and to exchange ideas.

And certainly the fact that this conference on industrial development is sponsored by a university attests beyond dispute that here your academicians do not confine themselves to the sanctuary of the mythical ivory tower; but, in the manner of the ancient Greek scholars, they sit in the open plaza, as it were, to talk with neighbors about problems of practical concern.

I am partial to stories about little girls because I have a three-year-old at home myself. At this hour, if I were home, I would probably be reading or telling a story to her. One story, that is almost like a fairy tale, I've never told to her, but I would like to tell it to you.

Once upon a time, in the nation that is the most prosperous and powerful in the entire world, there was a certain state that lagged behind most other States. It was a small state with a proud history: and in times past, it had vied with the big States very handily, but now it was in trouble. Doctors of economics diagnosed its main difficulty as chronic unemployment, caused primarily by the departure of many textile companies for warmer and perhaps more favorable climes. But other types of companies were leaving the State as well, and some of the causes were thought to be these:

1. The highest cost of unemployment compensation of any state in the country
2. An ever-increasing amount of social legisla-

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tion resulting in heavy costs to business

3. Lack of understanding for, or sympathy with, the problems of business and industry by many local union officials

4. Emigration of a large majority of local college graduates seeking better job opportunities in other states

5. Lack of trust in the business community on the part of many working men and their families

6. A political situation in which the business community was ineffective while organized labor was in the driver's seat.

The consequence of conditions such as these was espondency, apathy and lack of enterprise within e State—a general hangdog, can't-do, what's-the-se spirit backed by the real distress of thousands f men and women who were out of work and, for me, perhaps out of hope. This is, I am told, a irly accurate description of the shape this proud ttle State was in just two short years ago.

Every story needs a hero, and this story has one. e was the manager of a plant located in the heart f an officially designated "surplus labor area." His ant employed but 700 workers in a city whose ork force totaled 300,000, so he was not one of the ajor employers in the area by any means. But he as a man who was deeply concerned about his mmunity, and the more he thought about the roblem, the more he became convinced that the nditions that depressed the State were man-made d therefore could be rectified by courageous, imginative men.

First, he talked to the heads of a business-sponred organization. He explained that business cliate is the net result of all external conditions—cial, economic and political—that affect the cost d manner of conducting a business in a way that truly rewarding to the community as a whole and employees, stockholders, suppliers, and customers particular.

His efforts were not universally appreciated. me called him "knocker" and said he only made atters worse by talking publicity about the State's ortcomings. But he persisted, and in a short time found five or six—and later, fifteen or twenty—her employers who understood his message and ho became as dedicated as he to the cause of improving the business climate of the state.

But in the short span of a year and a half they e already beginning to show results that to my ind constitute dynamic proof that you in your mmunity or I in mine can with courage and agination bring about changes that will make our mmunities better places in which to live, work, ar children, and do business.

What are some of the changes that have occurred the State I've been discussing, which, as you may ve guessed, is Rhode Island?

First of all, the businessmen of Rhode Island, ter a few setbacks, managed to generate enough assroots political support to cause the Governor call a special session of the Legislature to modify e unemployment compensation law. The benefit rate was increased from $30 to $36 a month (with employer support, I might add) and a new experience rating provision was added giving employers tax incentives for offering steady employment.

Since then, the business outlook in the State has been brightening. For the first time in years, the state is attracting new plants of large, national companies. The rate of employment growth is becoming more favorable than it has been for years, Most important of all, there is being engendered a buoyant new spirit, a can-do, we-shall spirit of optimism that affects the thinking and plans of businessmen, as, indeed, of all segments of the population.

What one man started in Rhode Island, other individuals in other states and communities have also begun. Business and other community leaders in literally dozens of places—from Oakland on the West Coast to Lynn on the East—are working hard at helping their freshly alerted fellow citizens in the task of improving their local business climate. No one has a total count of all business climate improvement activities presently underway across the nation, since many different programs have been started under many different kinds of sponsorship.

But evidence from such scattered places as San Mateo County in California, Danville right here in your own state, Syracuse, New York, and Hickory, North Carolina—to pick a few places at random—demonstrates dramatically that if you will show the determination, imagination and leadership to persuade your interested fellow citizens to mount and sustain a sound business climate improvement program, you can help advance your community to the mutual advantage of the enterprises located there and the people who live there.

In order to do this, there are three prerequisites you must have.

1. You must know what the business climate concept is all about.

2. You must understand—no, be *fired* by—the importance of improving the business climate in your community.

3. You must have some idea as to how to proceed.

With your permission, I would like to discuss briefly each of these in turn.

I have already defined the term "business climate" as the sum of the political, social and economic conditions in a community affecting the cost, facility and potential profitability of doing business in a way that is truly rewarding to the community as a whole, as well as to employees, stockholders, suppliers, and customers in particular.

Erwin C. Canham, editor of the Christian Science Monitor and presently president of the Chamber of Commerce of the United States, has offered a simpler explanation:

> I would say that a good business climate is one in which private enterprise can prosper for the benefit of its stockholders, its employees and the community in which it operates. A good business climate is also a magnet which attracts new enterprises or fosters the expansion of existing en-

terprises.

The list of "elements" making up the business climate may be variously stated. Here is a list of ten things we of the General Electric Company regard as needed for our and the common good in any community in which we operate or where we are considering operating:

1. Honest and efficient government supported by alert and well-informed voters who have the balanced best interests of the entire community at heart.

2. Fair taxes for both business and individuals, without restrictive regulations or discriminatory financial burdens.

3. Conscientious laws enforcement which rejects double standards and protects alike the rights of all citizens, corporate or private.

4. Equitable pay and benefits practices which reward employees for their contributions to the job from their inner resources of energy and skill.

5. Where unions exist, sensible union officials who are not without honor and not impervious to reason.

6. Qualified and responsive people to fill employment needs.

7. Modern, progressive community facilities such as banks, utilities, transportation, hospitals, and commercial services.

8. A social and cultural atmosphere in which people enjoy living and working, and which includes good schools, churches, libraries, theaters, a responsible and fair press, and healthful recreational facilities.

9. A friendly, open-minded attitude toward business on the part of the local people and their elected representatives.

10. A serious-minded assumption by employers of their responsibilities as business citizens—as evidenced by consistently faithful efforts at good employee relations and courageous leadership in civic and policial affairs.

Those are the main conditions that we look for in selecting a new plant site and that we seek to foster in communities where we are already located. They are not oriented to narrow business interests, but to community betterment along lines that all good citizens desire. We do not ask for—nor desire—special privileges—merely fair treatment.

If I were to detail for you the procedure General Electric follows in selecting a new plant site, you would quickly appreciate how carefully these business climate elements are investigated and how important they are to the final choice for a plant location.

We employ a man full time to investigate and evaluate these matters in every community under consideration as a new plant location. He has a check list that runs 14 pages single spaced. He studies population trends, the progressiveness of local industry, business services and facilities, community services of all types, schools and school programs, communication media, cultural activities, work attitudes, the local government, housing, labor laws and local ordinances, union behavior, and literally dozens of other such subjects.

One point that is given special attention is based on the obvious fact that a plant is a long-term investment. The community analyst must attempt to decide both what the present conditions are, and what future conditions are likely to be.

In attempting to assess the future of a community, the analyst, of course, studies population trends, industrial growth patterns and so on, but he places even greater emphasis on community spirit, public attitudes, and progressive business leadership. Does a community obscure its problems behind a fusillade of boosting and boasting or does it face up to them and deal with them imaginatively? Do its people exhibit self-respect, as evidenced, for example, by pride of ownership in their homes? Do they demand honest and conscientious performance of public officeholders? Are the churches well attended, and do church groups of different faiths co-operate in matters of concern to the community at large? Do business leaders actively concern themselves with community-wide problems?

Our premise is simply this:

Almost any community in any state can make of itself what it will, if its people have enough concern, moral strength, energy and imagination. It is the spirit that counts and in the long run is usually determinative. We think it is probably safer to put a plant in a community that may have some shortcomings that it is energetically trying to correct, than in another community that may be initially more attractive but which is become complacent, corrupt or dispirited.

As you can see, the community analyst has a great deal to think about when he makes his report and his recommendation. In our Company, the final choice of a new plant location is made by the General Manager who will operate the plant in question. The Manager is not required to abide by the recommendation of the community analyst, but the fact is that in the past decade no General Electric plant has been put in a community that has not been approved for its business climate.

I have brought this subject of plant site location into the discussion because it is, I trust, an instructive way to explain what is meant by the term "business climate." Before I leave this subject, I would like to digress for a minute to clear up two possible sources of misunderstanding.

First of all, in our plant site location procedure, the business climate analysis comes after a series of steps which by that time has already narrowed the choice to three, four or five communities. I wouldn't want you to think that we are such poor businessmen as to overlook location of markets, source of raw materials, transportation costs, water supply and the other physical and economic considerations involved.

Second, there is no single community that is ideally suited for every type of business. The community analyst makes his evaluation of business climate factors against the detailed requirements specified in advance by the General Manager who

ill run the new plant. For instance, if the new ant will employ a large number of hourly factory orkers, the analyst will weigh heavily his findings out labor supply, labor attitudes, local union adership and similar considerations. On the other nd, if the plant will employ few hourly workers d many engineers, scientists and professionals, he ay pay special attention to facilities for graduate udy, ample quality housing, or cultural attractions. , if your community fails to attract one particular dustry, don't be discouraged; you may have just at the next one to come along is looking for— suming, of course, that you have done all you can create the best business climate possible.

Attracting industry to communities is an ex- emely competitive business, as you are well aware. ere are more than 7.000 organizations, public d private, engaged in this competition. The com- tition is keen, but success is worth the effort. Two ars ago the Chamber of Commerce of the United ates made a study which gives an idea of what 0 new factory workers mean to a community. e study showed that 100 new factory workers ean 296 more people. 112 more households, 51 ore school children. $590.000 more in personal come per year. $270.000 more in bank deposits. 7 more passenger cars registered. 174 more orkers employed, 4 more retail establishments. d $360.000 more in retail sales per year.

A strong local economy is essential if a commu- ty or state is to solve its many problems. Con- ler this: the cost of municipal services required a blighted neighborhood is likely to be half again or even twice as much as—the cost of the same rvices for a fairly good neighborhood, and the tter will provide many times as much tax revenue. Baltimore, for example, 47 per cent of the city's pense is for slum areas that provide only 6 per nt of the city's revenue.

Or consider this: Population experts say that in years there may be 228 million people in this untry, compared with about 180 million today. By e end of the century—when my little girl will be st about the age I am today—the population may 350 million, nearly double the present number. hat will the rapid increase in population mean in ur community in terms of the demand for schools, ads, hospitals, and city services and facilities? ow many more job opportunities must be created is year, next year, or within five or ten years to ovide a high level of employment in your commu- ty?

To my mind it is virtually impossible to contem- ate the great, unavoidable, oncoming problems at the future holds in store for each of our com- unities without basing our proposed solutions on assumption of economic growth.

And I repeat, you can not realistically hope to joy significant economic growth in your commu- y unless you create a business climate that will ract new industries and will, at the same time, courage and help your present employers to ex- nd their businesses within your community.

So now we come to the final question, how to proceed to mount a business climate activity in your community.

I wish I could tell you that there is a simple magic formula or an easy set of rules that you can apply and presto, the thing is done; I cannot.

As a start, it is logical to divide your approach into four steps, and in many places this has been the procedure adopted. The steps are:

1. Research the problem: this means that you should make a thorough appraisal of your community to determine which business climate conditions are in need of, and are susceptible to, improvement. For this purpose, General Electric has developed an Appraisal Guide containing 187 questions that we will be pleased to make available to you.

2. Determine the specific things you are going to improve and establish an order of priority for these goals.

3. Work out a program to accomplish each of the goals, including a schedule of when particular things are to be completed.

4. Communicate with and secure the participation of all groups in the community that can contribute to the accomplishment of the goals and that will have an interest in doing so.

SOME COMMENTS AND DISCUSSION ON THE LANDRUM-GRIFFIN ACT

by Lawrence R. Winters

In the fall of 1959, the 86th Congress of the United States enacted an extremely controversial law which has been both acclaimed and denounced, depending upon the attitudes of the commentator. The Labor Management Reporting and Disclosure Act of 1959 (better known as the Landrum-Griffin Act) was primarily designed to prevent or eliminate certain improper practices on the part of labor organizations. These practices were brought to light by the investigations of the McClellan committee. The act is made up of seven titles, the first of which is called the "Bill of Rights of Members of Labor Organizations."

Title I sets forth certain basic rights which Congress believed should be guaranteed to union members by federal law. This section gives members of unions equal rights with other members in nominating union candidates, voting in union elections, and attending and participating in union membership meetings. It assures the union member a voice in the determination of dues increases and assessments against members and gives him the right to sue, to testify, and to communicate with legisla-

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tors without fear of hindrance or interference by union officials. It also protects the union member against arbitrary disciplinary action, fining, suspension or expulsion from a union without first being informed of the charges and without being given an opportunity to raise a defense against these charges.

Title II of the act requires that labor organizations, union officers and employees, and employers file certain financial reports with the U.S. Secretary of Labor. Under this section the union must report on how it conducts its internal affairs, list the compensation given to union employees who receive more than $10,000 per year, reveal the extent to which it loans money to employees and businesses and permit members and affected employees to examine copies of any collective bargaining agreement with management which affects the rights of the employees. Union officers must report any financial dealings with an employer whose employees the union represents or seeks to represent. An employer must report any financial arrangements with union officers or employees in the exercise of their bargaining and representation rights unless the other employes are told about these payments before or at the same time they are made. Also, the employer must report any arrangements with a labor relations consultant for the purpose of persuading employees with respect to their bargaining and representation rights.

The act also contains provisions relating to trusteeships (control by a parent labor organization over a subordinate union whose normal independance has been suspended) and provisions relating to the democratic conduct of union elections. As a result of the congressional investigations, certain restraints also are placed on the activities of union officials. It is now a federal crime for a union officer to embezzle or steal funds from his union. Union officials who handle union funds must, in many cases, be bonded and no union is allowed to make loans to any officer or employee totaling more than $2,000. There is also a provision which prevents certain persons with a criminal record or past Communist Party affiliations from holding office in the union. Violations of any of these sections may result in the imposition of criminal sanctions.

The above is a thumbnail sketch of some of the major and most highly publicized provisions of the Landrum-Griffin Act. There are additional provisions in the act, however, which, although they have acquired less notoriety than those mentioned above —may have a significant effect on the small businessman. One such section is section 7001, an amendment to the Taft-Hartley Act (1947), which deals with the problem of federal-state jurisdiction. Before embarking on a discussion of the possible effects of section 701 it is necessary to define some of the terms used and also to glance briefly at some of the developments that brought about the need for such legislation.

Section 701 deals with the problem of federal-state "jurisdiction." What then is "jurisdiction?" The term "jurisdiction" may be used in two different ways, but in either case it means power. If a tribunal has "jurisdiction" over a particular case, it can be said that the tribunal has the power to decide the case. When reference is made to "jurisdiction," it can be either jurisdiction over the person or jurisdiction over the subject matter of the controversy.The limitations on the extent of a court's jurisdiction over the person are territorial in nature and so, when it is said that a court has jurisdiction over the State of Illinois it means that the court has jurisdiction over all of those persons within the state who have been properly brought before the court (served with process). On the other hand, there are certain courts or tribunals which have the jurisdiction to decide only certain types of cases. A juvenile court, for example, only has the power to hear cases involving persons under a certain age. Thus it has jurisdiction over only a limited subject matter. In any event, before a court can hear a case it must have both jurisdiction over the person and jurisdiction over the subject matter.

In 1935 the National Labor Relations Act (Wagner Act) was enacted "to eliminate the causes of certain substantial obstructions to the free flow of commerce. . ." In order to implement the goals of the act, Congress also provided for a National Labor Relations Board which was empowered to prevent any person from engaging in unfair labor practices affecting interstate and foreign commerce. Authority to enact the Wagner Act was derived from Article I, Section 8 of the United States Constitution which gives Congress the power to enact appropriate legislation for the protection of interstate commerce, and to adopt measures to remove the causes of industrial disputes adversely affecting that commerce.

It can be said, therefore, that the National Labor Relations Board has jurisdiction only over a limited subject matter. Before the Board can hear a case, it must be proved that it is a dispute which affects interstate commerce. This is not as formidable a limitation as it might appear, since a large proportion of business activity has some effect on commerce. In fact there were so many labor disputes which fell within the jurisdiction of the Board that it soon became overburdened with work and had to find some way in which it could decline to assert jurisdiction in certain classes of cases. The U.S. Supreme Court has held that the NLRB could refuse to hear a case if it felt that the policies of the Act would not properly be effectuated by assertion of jurisdiction.[1] In order to hold down the rising backlog of cases the NLRB refused to assert jurisdiction in cases arising in industries doing less than a certain volume of business. In the past, for instance, the NLRB has agreed to assert jurisdiction over enterprises producing or handling goods destined for out-of-state shipment, or performing services outside the state in which the firm is located valued at $50,000 a year.

iother example of a board jurisdictional standard the willingness to take jurisdiction over a case which a retail business is involved which does gross volume of business of at least $500,000 a ar.[2] It is easy to see that there are many small sinesses which, although they have some effect commerce, cannot bring their grievances before National Labor Relations Board because of the risdictional standards.

In light of our federal system of government, e would normally conclude that if a controversy nnot be heard before a federal tribunal, recourse ald still be had to the state courts. However, in 57 it was held that a state cannot assert jurisdicn over a peaceful labor dispute which affected erstate commerce after the NLRB had refused to ercise its authority.[3] The reason for the decision s that Congress by vesting jurisdiction in the RB over labor matters affecting interstate comrce, had completely displaced state power to al with such matters even though the federal ency had declined or obviously would decline to ercise its jurisdiction. This case created a twiht zone or "no mans land" over which the NLRB d refused to assert jurisdiction and the state urts and labor boards were precluded from doing The case did not prevent states from using their lice powers to suppress violent picketing or from ndling suits for damages caused by unfair labor actices which constitute violent tortious conduct der state law. However, for any cases other than above the small businessman had no tribunal ailable in which to air his complaints.

Section 701 of the Labor Management Reportg and Disclosure Act was enacted in order to fill s gap:

> "(2) Nothing in this Act shall be deemed to prevent or bar any agency or the courts of any State or Territory (including the Commonwealth of Puerto Rico, Guam, and the Virgin Islands), from assuming and asserting jurisdictinon over labor disputes over which the Board declines, pursuant to paragraph (1) of this subsection, to assert jurisdiction."

e effect of this section is to reverse the decision the Guss case and to allow state courts or oor boards to take jurisdiction over those cases ich formerly fell within the "no mans land." fortunately, this legislation is not a solution to entire problem, even though it does, to some ent, alleviate some of the hardships wrought by Guss decision.

The statute confers jurisdiction on either the te courts, or state labor boards. However, there thirty-eight states (including Illinois) which ve no labor board and so, in the great majority states, the responsibility of hearing these labor putes will be turned over to the state courts with ir already overcrowded dockets. Those states ich do have labor boards are generally the more lustrialized areas and the boards tend to lean vard labor in their decisions.

Section 701 (c) (1) of the Act provides: "That the Board shall not decline to assert jurisdiction over any labor dispute over which it would assert jurisdiction under the standards prevailing upon August 1, 1959." This should serve to indicate to the state courts and agencies over which cases they may assert jurisdiction. But, practically speaking, the NLRB jurisdictional standards are extremely complex and it is conceivable that in any given fact situation the courts of one state might refuse to take jurisdiction since they feel the case falls within the area reserved to the NLRB, while another court would accept jurisdiction after having interpreted the jurisdictional standards in an entirely different way. It has been suggested that the state courts could apply to the NLRB for a determination of whether jurisdiction properly lies with the state court or the Board. This course of action would place a tremendous additional burden on the Board and would, in doing so, sabotage the basic purpose of the amendment.

Once the state courts have determined whether jurisdiction exists an additional problem must be faced. Since the legislatures of each state are free to enact whatever laws they see fit, assuming they remain within the framework of the Constitution, and the state courts are free to interpret such laws in a like manner, it is theoretically possible to have fifty different rules of law governing one fact situation. For example, of the fifty states, only thirteen have laws providing for unfair labor practices and of these, ter make no provision for coercion of employers to interfere with the rights of employees, seven make no provision for secondary boycotts and three make no provision for union unfair labor practices whatever. On the other hand federal labor law is uniform in its application throughout the states and is far more comprehensive than the law of any state. Unfortunately, the Landrum-Griffin Act does not indicate which laws (federal or state) should be applied in those cases over which the state courts are now allowed to assert jurisdiction. It would seem reasonable that a labor relations law which is uniform throughout the country would be desirable from the businessman's point of view, but until the present uncertainty is cleared up, many courts will probably interpret this section as requiring the application of state law.

By solving one problem, Congress has created another. True the injustice created by the Guss decision and the resulting "no mans land" has been rectified. But as it stands now, the businessman—carrying on a small business—who cannot meet the NLRB dollar-volume standards must turn to the state courts, and take his chances there. What then can be done under the existing laws to remedy this situation? Of course it would be possible for the NLRB to abandon its present jurisdictional standards and hear all labor disputes "affecting commerce." In light of the heavy burden currently weighing on the Board this is unlikely. A more realistic solution would be the voluntary application by the state courts of federal law. Assuming that

there is no state statute that must be applied, there is no reason why the state courts could not, as a matter of public policy, adopt the federal law and decide the controversy in the same way it would be decided by the NLRB. This might not appeal to strong believers in states rights and many courts might be reluctant to follow such a course of action without a legislative mandate, but unless the recent amendments to the Taft-Hartley Act are again amended, it would seem to be the only fair and just thing to do.

[1]NLRB vs. Denver Building and Constructions Trades Council, 341 U.S. 675, 95 L. Ed. 1284, 71 S. Ct. 943 (1951).
[2]Bureau of National Affairs, Labor Relations Expediter 310a Sec. 2
[3]Guss v. Utah Labor Relations Board 77 S. Ct. 65, 352 U.S. 817, 1 L. Ed. 2d 44 (1957).

HOW MUCH DOES IT COST TO ROBE YOUR DAUGHTERS AT SIU?

by Adeline Hoffman

Much has been published in recent years on the mounting costs of higher education and means by which students can finance their education through scholarships from a variety of sources and through borrowing money to meet their needs. College catalogs spell out in precise detail the costs of tuition, laboratory fees, and other fees, meals and rooms in college dormitories, but little information is available from any source on personal expenses, of which clothing is usually the largest for women students.

Reasons for this lack of information are undoubtedly due to the personal nature of this subject and the difficulty in establishing norms or standards where so many variables enter into the picture. Yet clothing is a most important center of interest in the lives of most people and it takes on its greatest importance in adolescence and early adulthood. Clothing is not only a major category of expenditure, but it is also an important area of personal satisfaction and a means of social identification. Thus a study of clothing expenditures was undertaken to contribute to the sum total of knowledge of the cost of a college education for women students at Southern Illinois University.

The major objective of this study was to gain some insight into the clothing costs of women students at Southern Illinois University, in terms of factual data on levels of annual expenditures. Most potential college students and their parents have preconceived ideas about the general cost level of clothing needed at college. In cases where financial help covering college tuition and fees may be provided through scholarship assistance of some kind, the cost of clothing still looms large. Guidance officers in the secondary schools and others who advise students concerning various costs of a college education, have no resources for information on clothing costs. Even college students themselves who have already spent some years at college, have no factual data on cost levels though they might have some specific ideas on size of wardrobe.

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Other objectives in conducting this study were (1) to determine the "carry over" value of high school wardrobes for use at college, (2) to relate clothing expenditure data to family composition, economic resources of the students and other pertinent factors and (3) to compare the level of expenditures for clothing in the freshman year with subsequent years for the same students.

The study was started in the fall of 1957 and was completed in February, 1960, based on two-year expenditure records. To obtain information on family background and clothing behavioral practices, the questionnaire method was used and though 205 freshmen responded to the questionnaire, complete expenditure records were obtained from only 75 freshmen and in the second year of the study from 50 students who had returned to the University as sophomores. The only limitations placed on the freshmen who participated in the study were that they be full-time students, that they be June, 1957, high school graduates and that they be unmarried. Those who participated in the study came from various parts of the state and various population areas including farms, small towns, big towns, and metropolitan areas. The majority of the students came from small families and about one-third of the students indicated that their parents were high school graduates while the remaining two-thirds ranged through college graduates on the high end and on the low end those whose education did not go beyond the elementary school.

A large proportion of the students who participated in the study supplemented the incomes provided by their families through summer employment and part-time jobs during the college year. Summer earnings for the group averaged $283 and part-time job earnings averaged $360. It was thought that high student earnings might relate to higher expenditures for clothing but upon analysis of the data, this was not found to be true. Students were not asked how they spent the money they earned, so it could not be assumed that all students spent their earnings on clothing. On the contrary, it was entirely possible that many students spent their earnings on such basic necessities as University fees, housing and food. In specific instances, it was known that students spent their earnings on these basic necessities.

While clothing purchased ready made constituted the major part of the wardrobes, many students reported that they received clothing items as gifts, they made some and some were made for them by their mothers. The clothing item students said they liked best to receive as gifts was sweaters, and

hers were blouses and lingerie, but the item they tually received most often was pajamas, and hers were nightgowns and lingerie. Clothing items ade most often by the students and their mothers ere skirts, dresses, and blouses. Shopping practices ported by the students showed that about half of em shopped in their home towns, and the others nearby towns, cities and the college town. Timg of their shopping was based mainly on need. ver two-thirds shopped as they needed clothes, out 12 per cent at the beginning of the season and out 20 per cent at the end of the season. About) per cent of the students said they shopped inependently and the other 40 per cent with the aid their mothers.

Many students indicated that they needed inrmation on clothes suitable for college and that eir best source of this information was other colge students and articles they were able to read on e subject. Even though they said they needed to now something about clothes for college, most eshmen felt that college wardrobes wouldn't be uch different from high school wardrobes. Those ho thought they would be different, thought that e college wardrobes would be larger, with more gh-heeled shoes, dressy clothes, more sophisticated id more expensive clothes.

Total annual expenditures for clothing in the eshman year, according to the records of the stunts who participated in the study, ranged from a w of about $35.00 to a high of about $800.00, ith an average of $275 and a median of $233. able I below shows the number of students who aced at each step in the range. Whether these gures appear to be high or low according to anyes's standard, it should be recognized that the irchase of clothing in the freshman year does not nstitute the total wardrobe. The largest part of the freshman wardrobes consisted of clothing items carried over from high school. According to high school wardrobe "carry over" reported by the students, about 70 per cent of the average freshman wardrobe was made up of clothing items carried over from high school. The range was 24 to 89 per cent. Since there would have been an obvious difficulty in assigning cost figures to clothing items received as gifts and clothing made at home, these values were not reflected in the clothing expenditures records.

The variation in total annual expenditure for clothing is reflected in cost of individual clothing items and also in size of wardrobe. Table II gives the prices paid for selected clothing items in terms of range of cost, average, median and mode. Also given in Table II is "bulk of range" in which the extremes have been omitted to give a more realistic picture of price range.

According to a derived measure of size of wardrobe based on cost, it was found that the largest wardrobe was seven times the size of the smallest one. A more realistic interpretation of wardrobe size appears in Table III in terms of the number of items in each clothing category in the wardrobes studied. From the figures for range, average, median and mode, one might draw some conclusions about size of college wardrobes.

The study showed that students have little idea of total cost of clothing for a period of a year. At the beginning of the study, freshmen were asked about how much they thought they would spend on clothing during the year and 61 out of 75 greatly underestimated their expenditures, 10 overestimated and 4 didn't even venture a guess. At the beginning of the sophomore year, when students were asked how much they thought they had spent on clothing

TABLE I

SUMMARY OF ANNUAL CLOTHING EXPENDITURE LEVELS, NUMBERS, AND PERCENTAGE OF STUDENTS AT EACH LEVEL

Range of Expenditures in Dollars	*Number of Students*	*Percentage of Total Group of Students*
600 and over	3	4.00
550–599	2	2.67
500–549	3	4.00
450–499	3	4.00
400–449	6	8.00
350–399	5	6.66
300–349	6	8.00
250–299	5	6.67
200–249	18	24.00
150–199	13	17.33
100–149	9	12.00
Below 100	2	2.67

TABLE II

SUMMARY OF PRICE DATA ON SELECTED CLOTHING ITEMS

Clothing Items	*Number*	*Mode*	*Median*	*Total Range*	*Bulk of Range*
Skirts	199	$ 6.00	$ 7.00	$ 2–30	$ 3–15
Sweaters	276	3.00	7.00	2–35	3–15
Dresses	230	10.00	12.00	4–69	4–30
Car Coats	30	15.00	18.00	4–30	15–30
Dress Shoes	141	(5.00 (6.00 (10.00	8.00	1–25	3–15
Blouses	266	(3.00 (4.00	3.50	1–18	1–18
School and Play Shoes	323	5.00	5.00	1–16	1–10
Bermuda Shorts	39	(3.00 (4.00	4.00	1–8	3–6
Formals	14	(25.00 (35.00	35.00	13–80	
Winter Coats	22		37.50	10–100	10–70
Spring Coats	29	15.00	25.00	7–50	
Anklets	345	.50	.50	.25–2.50	
Slips	154	4.00	4.00	1–8	
Panties	365	.50	.70	.30–5.00	.50–1.50
Bathing Suits	52	(10.00 (12.00	12.00	5–25	5–20

TABLE III

Number of Selected Clothing Items in Each Category in Wardrobes Including Range and Measures of Central Tendency

Clothing Items	*Number of Students Reporting*	*Range*	*Measures of Central Tendency*		
			Average	*Median*	*Mode*
Sweaters	75	3–31	14.5	15	11 & 16
Blouses (dressy & casual)	74	0–47	14.0	12	6
Blouses (tailored)	68	0–16	5.0	5	5
Skirts	75	5–28	17.7	17	18
Dresses (dressy)	74	0–16	7.6	6	6
Dresses (casual & tailored)	74	0–27	9.5	9	9
Suits	69	0–12	1.8	2	2
Winter Coats	72	0–7	2.1	2	2
Car Coats	48	0–5	1.6	2	1
Spring Coats	70	0–5	1.8	2	1
Shoes (school & play)	75	3–22	10.3	9	7
Shoes (heels)	75	1–15	6.8	6	4

during the freshman year, their responses were about as far from actual expenditure figures as were their estimates at the beginning of their freshman year.

Parents' knowledge of clothing costs were also very hazy in the opinions of the students. The majority of the students thought their parents had little idea of how much they spent for clothing during the year. Only 14 students said their mothers might have a general idea of the cost of their clothing and 4 others said their parents would know from cancelled checks drawn on clothing stores and from general allowance levels.

Family background factors considered in this study did not show a significant relationship to clothing expenditure levels. There was no relationship between levels of expenditure and family size, educational level of parents and population density of student's home area, nor was there any relationship between expenditure levels and population density of areas where students shopped. Neither did timing of purchases relate clearly to expenditure levels nor did independence in shopping. However, there appeared to be a tendency for students to shop with their mothers in instances where the educational level of the mother was high rather than average or low. From a practical standpoint, it is likely that the points of view of mothers of higher educational levels might be more compatible with daughters who are college students.

In projecting costs of clothing beyond the freshman year, it need not be assumed that clothing carried over from high school would be useful only during the freshman year. To be sure, a wear factor and fashion factor would be involved depending on the age of the specific garment so it might not be useful beyond the freshman year; yet it might be useful for a much longer period of time. There was no attempt in this study to evaluate the wear potential of clothing carried over from high school wardrobes. Based on the measure used for wardrobe size, that part of the high school wardrobe carried over into the freshman year compared with the sophomore year showed on the average, a loss of 26 per cent by the sophomore year. However, this was somewhat balanced by an average increase of $62.00 or 22 per cent in expenditure for clothing in the sophomore year over the freshman year.

One might easily conclude from this study that women students do not need complete new wardrobes for their freshman year at college; it is possible for women students to be adequately clothed with a relatively small expenditure; and that women students have little knowledge of how much clothing costs on an annual basis both in looking ahead at the beginning of the year and in retrospect after expenditures have been made.